

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION
CITY OF SCOTTSDALE
PINNACLE CONFERENCE ROOM AT HUMAN RESOURCES
7575 EAST MAIN STREET
SCOTTSDALE, ARIZONA 85251
APRIL 17, 2012
REGULAR MEETING
APPROVED MINUTES**

PRESENT: Michael Hoffman, Chairman
Kathleen Glenn, Vice Chairwoman
Ace Bailey, Commissioner
David Richard, Commissioner
David Scholefield, Commissioner
Mike Surguine, Commissioner

STAFF: Steve Geiogamah
Rob Millar
Lee Guillory
Jim Mullin
Dan Worth
David Smith
Paul Katsenes
Holli Shannon

GUESTS: Rachel Sacco, SCVB
Phil Neri
Jason Rose
Jackie Bertsch
Jennifer Mossier
Kristin Senter
Luna Chase

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairman Hoffman called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m.

2. Approval of Minutes

- March 20, 2012 Regular Meeting

Steve Geiogamah noted that the motion that passed on agenda item 8, to allocate \$60,000 from the one-time contingency based on the DDC Phase III Committee's recommendation, was amended to include the TDC's recommendation to use a \$600,000 slice from the capital tourism portion of the bed tax fund. Mr. Geiogamah said the correct motion was presented at the City Council meeting on March 27.

COMMISSIONER BAILEY MOVED TO APPROVE THE MINUTES OF THE MARCH 20, 2012 REGULAR MEETING AS AMENDED. VICE CHAIRWOMAN GLENN SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

3. Staff Liaison's Report

a. Staff Bed Tax Collection Report

Mr. Geiogamah reported that bed tax is up 6% year-to-date, and 10% for February. Sales tax for hotel/motel was up 14% for February, and 3% YTD. Miscellaneous retail sales tax for February was up 26%, and 10% YTD, while the restaurant tax change was up 6%.

b. Bed Tax Proforma

Mr. Geiogamah said the Commission would discuss the proforma under agenda item 6.

c. Smith Travel Report

Mr. Geiogamah reviewed the star report, noting that occupancy year-to-date is up 0.5%. The average daily rate is up 3.3% YTD, and RevPar is up 4% YTD. The group star report shows occupancy up 0.5%, average daily rate is up 3.3% and RevPar is up 4%.

Commissioner Richard reported that March transient results were great, but April has not been as robust as anticipated. Commissioner Scholefield said group business has been strong in April so far.

Ms. Sacco inquired whether it still holds true that Scottsdale is 60% group reliant. Commissioner Richard felt that the larger resorts are moving towards 70% group business, because they have already made capital investments in that area. Overall though, 65% is likely the right mix. Commissioner Surguine cautioned against becoming too group-centric, because when group business is slow there are opportunities to make Scottsdale more of a leisure destination.

d. Program Updates

Mr. Geiogamah reported that the open seat on the Commission would be filled by the City Council at their upcoming meeting. Staff presented the strategic plan to the City Council Economic Subcommittee on April 12.

4. Arizona Super Bowl Host Committee and Fiesta Bowl-BCS Financial Commitments

Ms. Sacco stated that the total commitment for the Fiesta Bowl, BCS Championship, and the Super Bowl is \$1,765,704, which means a \$588,568 commitment per year for the next three fiscal years. She felt it would be prudent to tackle the BCS payments in three

separate years, rather than waiting to make one large payment at the end. The SCVB recommends approval of the commitments.

Commissioner Scholefield inquired about Paradise Valley's participation with the Super Bowl. Ms. Sacco said they declined to participate in full, but provided a very nominal amount. Scottsdale is not expected to pick up the shortfall, as the Super Bowl Committee concluded that each community's obligations would not change regardless of any shortfalls caused by another community opting out. In response to an inquiry from Commissioner Richard, Ms. Sacco said the Native American communities are involved in separate negotiations with the Committee, as they do not participate in the Prop 302 program.

Mr. Geiogamah said the Fiesta Bowl and BCS game are considered committed events in the current SCVB contract. The contract outlines disbursement of payments for those games. An agreement with the Arizona Super Bowl Host Committee is still being discussed. Any future agreement with the Arizona Super Bowl Host Committee will require Council action.

COMMISSIONER SURGUINE MOVED TO RECOMMEND CARRYING FORWARD THE SCVB'S RECOMMENDATION TO CITY COUNCIL, AND THAT THE FUNDS BE ALLOCATED OUT OF THE NEW EVENT DEVELOPMENT FUND OVER THE NEXT THREE FISCAL YEARS. THE COMMISSION FURTHER RECOMMENDS THAT THE SCVB ENGAGE IN A CONTRACT WITH THE ARIZONA SUPER BOWL HOST COMMITTEE, THE BCS, AND THE FIESTA BOWL. COMMISSIONER SCHOLEFIELD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

5. Tony Nelssen Equestrian Center Event Marketing Consultant

Mr. Katsenes requested the Commission's help in crafting an RFQ for a marketing consultant for the Tony Nelssen Equestrian Center. The search is expected to be national in scope. Several candidates will be chosen for a personal interview. All event producers currently putting on shows at WestWorld, including the three debt-service partners, have also been invited to participate.

Mr. Katsenes said the first meeting would occur on April 19 at WestWorld. All the Commissioners are invited. If a quorum of the TDC is anticipated, the meeting will be posted in accordance with the Open Meeting Law. Commissioner Surguine suggested that the process used for selecting the consultant for DDC Phase II would make a good model. Mr. Katsenes responded that staff has started writing the document that will initiate the evaluation. Vice Chairwoman Glenn and Commissioners Bailey and Richard volunteered to attend the meeting.

Mr. Geiogamah noted that ten years ago Scottsdale had a contract with a consultant who was responsible for attracting events to Scottsdale. Staff used that contract to develop the current draft of the scope of work. Mr. Katsenes emphasized that the City is not tied to that previous model at all; it was just used as a starting point.

Commissioner Richard inquired about progress on the design of the facility. Dan Worth explained that about half of the building is completely designed, and the first of a series of five construction contracts has been awarded. The northern part of the building, which is being expanded to accommodate multiple uses, is 30% designed. The design team includes event planners who have experience with equestrian and multi-use facilities. They have a very good understanding of the kinds of features that are going to provide the flexibility to accommodate both expected and potential uses. In order to meet the timelines, the design process is moving along very rapidly.

Chairman Hoffman inquired whether a nationally recognized event planner has reviewed the plans to see if they are proceeding in the right direction. He requested a presentation for the next meeting for the Commission to review the types of events that the facility is being designed to accommodate. Mr. Katsenes explained that 250 Westworld event producers have been invited and engaged in conversation with the design team to express what features are important to them.

Vice Chairwoman Glenn noted that the majority of the focus has been on equestrian events. To make the facility more well rounded, it should be reviewed by event producers who are not equestrian related and not current producers at WestWorld. Mr. Katsenes said the project has reached a point where that type of input is welcome. He invited Commissioner input on specific individuals or organizations to reach out to for advice. Chairman Hoffman said the City should be thinking big, and not limiting the scope of the project to just Scottsdale events. Serious, nationally recognized event producers should provide input on this facility. The Commission agreed to forward a list of names to staff.

6. FY2012/13 Bed-Tax Financial Policy

Lee Guillory stated that on May 8, staff will propose some changes to the Tourism Program to City Council. The first recommendation is for the establishment of a special revenue fund for tourism development. Currently, bed taxes go into the General Fund, and the portion that goes to the SCVB is transferred out. Staff's recommendation is for the entire bed tax revenue to go into the special fund for reasons of transparency and ease of tracking.

Ms. Guillory said a second recommendation is for a change in the allocation method. Staff feels that basing the allocation on percentages does not make sense, especially on capital pieces where the debt service remains steady. The proposal is to fix the dollar amounts for most categories. Instead of the General Fund getting 24%, it would get \$1.5 million in a fixed dollar amount. Administration and research would get \$500,000, event retention would receive \$1.2 million, and the swing wedge would be fixed at \$500,000. This allocation method would create an additional wedge of \$600,000.

Ms. Guillory noted that the Princess Resort sits on City land, and Scottsdale receives a lease payment every year in return. Revenue from those payments was used to fund debt service for improvements to the TPC. Staff recommends that the Princess lease revenues be considered tourism revenue, and be placed in the special revenue fund. Since the lease revenues do not come from bed taxes, no portion would be allocated towards the destination marketing program or the SCVB. They could be utilized for

multi-year capital commitments, generating two more \$600,000 capital commitments, and a half commitment of \$300,000.

Ms. Guillory stated that on May 15, Council will consider action on planned improvements to the TPC. There will be discussion on whether one of these wedges should be used to support that. David Smith said the TDC's current purpose is to advise City Council on the expenditure of bed tax monies, but the special revenue fund would contain the lease revenue as well. Staff recommends a change to the City Ordinance to remove some of the restrictions on the TDC, and expanding its purpose to advise on the entire special revenue fund.

Vice Chairwoman Glenn questioned whether the expanded capabilities would leave the Commission liable for special projects such as the rehabilitation of the TPC, rather than being able to spend the money on new projects. She also expressed concern that fixed amounts would cause a problem should bed tax revenues drop sharply. Ms. Guillory explained that the swing wedge would be used in that case. If the drop were greater than 10%, then the General Fund would be used as a backup. Any available carryover could also be used.

Commissioner Richard inquired whether TPC has a capital reserve for renovations. Mr. Worth noted that originally, the TPC's capital reserve was 2.5% of their golf revenue. The contract was amended in the late 1980s to eliminate that reserve, and the TPC took on the responsibility for making capital improvements. The TPC has kept pace with their obligation to reinvest some of their proceeds into capital improvements.

Chairman Hoffman asked what would happen if the revenues were higher than expected. Mr. Smith said the excess money would go into the swing wedge, which could be used for capital or event activity. Chairman Hoffman asked about the cost of the Tony Nelssen Center consultant contract. Mr. Katsenes responded that it would likely be a performance-based contract, with fees paid based on the results. Chairman Hoffman said the Tony Nelssen Center would benefit from a high-profile event in its first year that would tell the world that the new place exists.

Mr. Mullin noted another possibility that the City could lease the entire property to a group that would then assume the risk and reward. Chairman Hoffman inquired whether the City would have any control over events in that situation. Mr. Katsenes explained that the City would control the calendar and the types of events that are accepted. The facility would be leased out under certain circumstances.

Commissioner Surguine asked whether transferring the Princess lease revenue into the special revenue fund could diminish the bed tax dollars because of an unexpected liability. Ms. Guillory responded that staff is placing the Princess lease revenues into the Tourism Program special revenue fund. Mr. Smith added that the Commission would be able to consider any requests the TPC makes for capital funding. There was never any actual link between the TPC and the Princess lease revenues, but this move is intended to break any perception that such a link exists.

Commissioner Richard said that in order for the TDC to understand the financial situation well enough to make a recommendation to City Council, they should be

provided with information on the baseline revenue that would result from each renovation. The DDC received a comprehensive study in this regard.

COMMISSIONER SURGUINE MOVED TO RECOMMEND PROCEEDING WITH THE CHANGE IN THE ALLOCATION METHODOLOGY AS PRESENTED BY STAFF. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

Ms. Guillory reported that the proforma has been revised to incorporate this proposed new allocation methodology.

Dan Worth stated that in May the TPC will present, a short-term capital improvement request to City Council. They are proposing a new agreement between the TPC and the City. The capital project request is for \$15 million towards an expansion of the clubhouse and course improvements. The clubhouse restaurant and the player locker and shower areas will be expanded. The clubhouse is adequate for 51 weeks out of the year, but it has trouble handling the players, coaches, and staff necessary for a PGA tour event. The expanded restaurant space will provide additional revenue throughout the year.

The course improvements include the basic overhaul that courses have to undergo every 20 to 25 years to remain competitive. This move is necessary to retain the course's status for the PGA tour. Greens will be rebuilt and reshaped. The irrigation system will be replaced. As the game evolves and players improve, changes have to be made to keep the course challenging.

Mr. Worth said most of the TPC course is on Federal Bureau of Reclamation land. The changes to the contract would include extending it to 2035, with a 25-year option. The option, if exercised, would bring the contract to 2060, which would match the agreement with the BoR. Another key provision in the contract is the clause that brings the PGA Tour event to Scottsdale. The PGA's commitment was originally for only ten years. It was extended once, but that has expired and currently there is no commitment to bring the Phoenix Waste Management Open to Scottsdale. The PGA commitment would essentially come with a television coverage commitment, which is extremely valuable.

7. Tourism Development Commissioner Proposed Bylaws Update

Mr. Geiogamah said staff is recommending some minor changes to the Commission bylaws based on an audit that was completed in 2010/11 on commissions and boards. The changes are relatively minor, and involve making the bylaws gender neutral, making changes related to member attendance, and clarifying the process for forming committees. City Council is the only authority able to appoint subcommittees. The Commission will be asked to approve the changes next month.

8. City Sponsored Event Evaluation Consultant

Mr. Geiogamah stated that City staff proposes hiring a consultant to provide assistance on event evaluation sponsorships. This effort is not related to the consultant for

WestWorld addressed in Item 5. The objectives are to have a consultant provide a cursory summary report based on sponsorships received, and provide a perspective of what the impact of each sponsorship could be on sales tax, direct economic impact, room nights, Scottsdale's branding effort, and the financial viability of the event. This will be a City service contract with a limited impact on the budget. As proposals come in, the consultant would provide information back to staff. The information will be included as part of the package that the TDC and City Council reviews. The SCVB will continue to provide recommendations and assistance.

Commissioner Bailey asked about the preferred background of the consultant. Mr. Geiogamah said staff is looking for a marketing firm that has the ability to gauge economic impact, identify branding promotion opportunities, and place dollar amounts on those values. Commissioner Scholefield suggested including a turnaround time on the report. Mr. Geiogamah said the consultant will be held to a very short time frame, and the reports are expected to be concise.

Ms. Sacco suggested that the consultant assist with the contracts that events sign with the City. Mr. Millar said part of the problem is that the approach to events has been piecemeal. The City would like to take a more structured approach where the consultant ranks applications based on the resources available. Commissioner Surguine inquired about the timeline. Mr. Geiogamah responded that it is moving quickly.

9. Horses and Horse Power Event Proposal

Jason Rose said Scottsdale is a perfect match for a next generation polo event. Horses and Horse Power would create a high-energy polo event for WestWorld, and could become a signature event for Scottsdale. On November 5, 2011, the producers launched an event on short notice that was attended by 2,300 people. It involved Dan Majerle, and the Lamborghini and Ferrari Clubs. Halftime featured the Parade of the Arabians. The event was anchored by an intramural scrimmage of local polo clubs. To become a signature tourist event, however, the event must aim higher.

Mr. Rose said this year's event is scheduled for the week after the end of the summer polo season, which makes it a good time to recruit some exceptional clubs and players. The four-year business plan has attendance goals of 5,000 this year, and 15,000 in the fourth year. Many of Scottsdale's top businesses are excited enough about the potential of the event to become promotional partners. Phoenix International Raceway (PIR) has assisted on the horsepower side, and has agreed to use this event to launch the countdown to Race Week and their biggest race of the season.

Mr. Rose said the October date for the event falls shortly after the Las Vegas Barrett-Jackson show. In order for the event to become championship caliber, it needs compelling matchups. This year's matchups feature Work to Ride against Harvard University in the morning, and the Bel Air Polo Club versus the Southampton Polo Club in the afternoon. All four groups are based in Scottsdale target markets: Philadelphia, Boston, Los Angeles, and New York. Nic Roldan will provide celebrity star power.

Mr. Rose said the event is actively negotiating with Coca-Cola, Evian, Ford, and Scottsdale Healthcare for major sponsorships. Wrightway Polo of Los Angeles is

providing their polo expertise for the event. Charitable components include the Make-A-Wish Foundation as a major beneficiary, and potentially Work to Ride. Marketing efforts will include a national Facebook campaign that zeroes in on key words to target messages to audiences. There is every opportunity for significant national attention.

Mr. Rose said the event is requesting \$75,000 to help defray the cost of holding a polo event in Scottsdale. Since the polo industry is limited in Arizona, the teams will need to transport 12 to 16 horses each from southern California. They have to be stabled for four days at WestWorld. The teams have to be flown in and provided accommodations. Professional polo players like Nic Roldan do not play free. The request is consistent with the goals and criteria for use of tourism funds.

Mr. Geiogamah explained that the request for \$75,000 is comprised of \$50,000 for the event, and an additional \$25,000 for the celebrity appearance. The majority of money is for production costs. The anticipated return exceeds \$100,000. The money would come out of new event development fund, which has \$400,000 available. If approved, the proposal will move to City Council as quickly as possible.

Commissioner Surguine said this is an example of the type of event the TDC has been looking for. It comes out of the private sector and hits the target markets. It makes sense from a branding standpoint. Unless the Program's new event development money is spent, it will roll over into the CIP fund in just three months. This event would benefit tourism, but if it ends up in the CIP, there is no guarantee that it would be spent on a tourism-related project.

Mr. Rose stressed the need for urgency and laid out the need for quick action on a decision. Vice Chairwoman Glenn said the event is a great idea, but she expressed concern that the TDC is being asked to fund half of the \$150,000 budget. She also felt six months was not enough time to produce an event of this size with the sponsorships necessary to pull it off. She inquired what would happen to the funds if the event does not take place. Mr. Rose responded that the event has the financial resources to move forward, and the goal is to get more sponsors. This is essentially a tourism venture capital project in an incubator stage. The producers are committed to do whatever it takes to see it through for four years, with or without major corporate sponsors.

Commissioner Richard inquired whether the event could extend over multiple days. Mr. Rose said that based on input from Barrett-Jackson, PIR and the Arabian Horse Show, this year's event will run Friday and Saturday, so as not to compete with the NFL on Sunday. The third year might see an expansion to Sunday, if attendance numbers are on target this year. Commissioner Bailey said the event is perfect for the Scottsdale brand. She would like to see other Scottsdale entities, particularly in the arts, cooperate with the polo event.

Ms. Sacco said the SCVB could provide performance indicators if action is required before the consultant contract can be secured. Chairman Hoffman agreed that the information would help answer whether the event is as good at driving tourism as it would be driving the brand. Commissioner Surguine suggested tying the funding to an exit interview process to help determine whether it is a tourism-related event. Chairman Hoffman felt that either the City, or a hired third party, should conduct the interviews.

Mr. Millar noted that the event sponsorship potential for requests this fiscal year exceeds the \$400,000 in the new event development fund.

COMMISSIONER SCHOLEFIELD MOVED TO SUPPORT THE REQUEST FOR FUNDING FOR THE HORSES AND HORSE POWER EVENT, IN AN AMOUNT NOT TO EXCEED \$75,000 FROM THE NEW EVENT DEVELOPMENT FUND. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SIX (6) TO ZERO (0).

10. SCVB Third Quarter Performance Measures Report

Ms. Sacco reported that the SCVB has achieved all of its performance measures to date.

11. Identification of Future Agenda Items

Mr. Geiogamah said future agenda items would include reviews of the final draft of the destination marketing guide, and the SCVB performance measurements. The Heard Museum might also make a presentation on their facility in north Scottsdale. Vice Chairwoman Glenn requested updates on the status of the Horses and Horse Power event, should the City Council approve the funding request.

12. Public Comment

Jackie Bertsch, from the East-West Cup Golf Tournament, said this event is a direct result of Mayor Lane's trip to Scottsdale's Sister City of Haikou, China. The event will occur this year on December 7 in China, and then alternate with Scottsdale every other year. The event will be televised internationally.

13. Adjournment

The meeting adjourned at 9:55 a.m.

Respectfully submitted,
A/V Tronics, Inc. DBA AVTranz.